

**COMPASS POINTE**  
INDEPENDENT AUDITORS' REPORTS,  
FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED  
JUNE 30, 2011

COMPASS POINTE  
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COMPASS POINTE  
OFFICIALS  
JUNE 30, 2011

EXECUTIVE DIRECTOR ..... JoAnn DeYoung

BOARD OF DIRECTORS (terms expire January 1, 2012)

Officers:

President ..... Tom Farnsworth  
Vice-President ..... Dennis Wright  
Secretary-Treasurer ..... Del Brockshus

Delegates:

Buena Vista County ..... Dale Arends  
Don Atena  
  
Clay County ..... Del Brockshus  
Burlin Matthews  
  
Dickinson County ..... Mardi Allen  
George Morris  
  
Emmet County ..... Bev Juhl  
Alan Madden  
  
Kossuth County ..... Jack Plathe  
  
Lyon County ..... Merle Koedam  
Kirk Peters  
  
O'Brien County ..... Tom Farnsworth  
James DeBoom  
  
Osceola County ..... Phil Bootsma  
Bill Imhoff  
  
Palo Alto County ..... Ron Graettinger  
  
Sioux County ..... Dennis Wright  
Mark Sybesma

**WINTHER, STAVE & Co., LLP**  
*Certified Public Accountants*

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of  
Compass Pointe

We have audited the accompanying statement of financial position of Compass Pointe (a non-profit organization) as of June 30, 2011, and the related statements of activities, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of Compass Pointe's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from Compass Pointe's June 30, 2010 financial statements and, in our report dated October 15, 2010, we expressed an unqualified opinion on those financial statements.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Compass Pointe at June 30, 2011 and the changes in its net assets and its cash flows for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 27, 2011 on our consideration of Compass Pointe's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The supplementary information included on page 12 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in our audit of the aforementioned financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

*Winther, Stave & Co., LLP*

October 27, 2011

COMPASS POINTE  
STATEMENT OF FINANCIAL POSITION  
JUNE 30, 2011  
WITH COMPARATIVE TOTALS FOR JUNE 30, 2010

ASSETS

	<u>2011</u>	<u>2010</u>
CURRENT ASSETS:		
Cash (Note 6) .....	\$255,263	\$207,715
Accounts receivable - net (Note 2) .....	225,731	172,892
Prepaid expenses .....	<u>29,029</u>	<u>43,070</u>
TOTAL CURRENT ASSETS	<u>510,023</u>	<u>423,677</u>
PROPERTY AND EQUIPMENT:		
Land .....	8,800	8,800
Building .....	84,570	79,144
Leasehold improvements .....	26,709	25,125
Office equipment and furniture .....	176,680	173,572
Video system and equipment .....	<u>82,876</u>	<u>82,876</u>
TOTAL PROPERTY AND EQUIPMENT .....	379,635	369,517
Less accumulated depreciation .....	<u>(251,159)</u>	<u>(229,522)</u>
PROPERTY AND EQUIPMENT - NET	<u>128,476</u>	<u>139,995</u>
TOTAL ASSETS	<u>\$638,499</u>	<u>\$563,672</u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES:		
Accounts payable .....	\$ 35,977	\$ 14,884
Other liabilities .....	57,323	57,590
Accrued vacation pay .....	35,304	39,146
Accrued unemployment claims .....	<u>16,193</u>	<u>16,193</u>
TOTAL CURRENT LIABILITIES	<u>144,797</u>	<u>127,813</u>
NET ASSETS:		
Unrestricted .....	<u>493,702</u>	<u>435,859</u>
TOTAL NET ASSETS	<u>493,702</u>	<u>435,859</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$638,499</u>	<u>\$563,672</u>

COMPASS POINTE  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2011  
WITH COMPARATIVE TOTALS FOR JUNE 30, 2010

	<u>2011</u>	<u>2010</u>
PUBLIC SUPPORT AND REVENUES:		
Comprehensive treatment contract .....	\$ 722,142	\$ 828,944
Comprehensive prevention contract .....	153,969	180,100
Other contracts and grants .....	263,267	308,556
Counties .....	120,528	120,528
Cities .....	13,861	12,595
Client fees .....	659,374	510,281
Other fees .....	96,041	47,645
Interest .....	2,865	6,016
Other .....	<u>3,439</u>	<u>35,261</u>
TOTAL PUBLIC SUPPORT AND REVENUES	<u>2,035,486</u>	<u>2,049,926</u>
EXPENSES:		
Program services .....	1,649,048	1,645,113
Support services .....	<u>328,595</u>	<u>351,091</u>
TOTAL EXPENSES	<u>1,977,643</u>	<u>1,996,204</u>
INCREASE IN NET ASSETS	<u>57,843</u>	<u>53,722</u>
NET ASSETS BEGINNING OF YEAR .....	<u>435,859</u>	<u>382,137</u>
NET ASSETS END OF YEAR	<u>\$ 493,702</u>	<u>\$ 435,859</u>

COMPASS POINTE  
STATEMENT OF FUNCTIONAL EXPENSES  
YEAR ENDED JUNE 30, 2011  
WITH COMPARATIVE TOTALS FOR JUNE 30, 2010

	2011			2010
	Program <u>Services</u>	Support <u>Services</u>	<u>Total</u>	<u>Total</u>
Salaries and wages .....	\$ 918,724	\$212,826	\$1,131,550	\$1,145,376
Fringe benefits and payroll taxes .....	<u>291,612</u>	<u>58,493</u>	<u>350,105</u>	<u>387,997</u>
TOTAL COMPENSATION AND RELATED EXPENSES	1,210,336	271,319	1,481,655	1,533,373
Auditing and legal services .....		9,383	9,383	10,477
Bad debts .....	48,230		48,230	33,606
Contract services .....	29,235		29,235	22,671
Insurance .....	15,776	4,176	19,952	19,481
Medical services .....	13,000		13,000	7,000
Miscellaneous .....	13,044	1,836	14,880	11,268
Rent .....	83,127	9,045	92,172	111,087
Repairs and maintenance .....	35,085	7,446	42,531	46,615
Special projects .....	69,128		69,128	67,232
Staff training and education .....	11,164	6,151	17,315	14,880
Supplies .....	30,824	3,731	34,555	35,603
Telephone .....	22,366	4,804	27,170	19,058
Travel .....	31,832	3,743	35,575	30,660
Utilities .....	<u>20,432</u>	<u>793</u>	<u>21,225</u>	<u>18,334</u>
TOTAL EXPENSES BEFORE DEPRECIATION	1,633,579	322,427	1,956,006	1,981,345
Depreciation .....	<u>15,469</u>	<u>6,168</u>	<u>21,637</u>	<u>14,859</u>
TOTAL EXPENSES	<u>\$1,649,048</u>	<u>\$328,595</u>	<u>\$1,977,643</u>	<u>\$1,996,204</u>



COMPASS POINTE  
STATEMENT OF CASH FLOWS  
YEAR ENDED JUNE 30, 2011  
WITH COMPARATIVE TOTALS FOR JUNE 30, 2010

	<u>2011</u>	<u>2010</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Increase in net assets .....	\$ 57,843	\$ 53,722
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation .....	21,637	14,859
(Increase) decrease in current assets:		
Accounts receivable .....	(52,839)	(60,265)
Prepaid expenses .....	14,041	(2,569)
Increase (decrease) in current liabilities:		
Accounts payable .....	21,093	6,272
Accrued expenses and other liabilities .....	<u>(4,109)</u>	<u>(1,302)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>57,666</u>	<u>10,717</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property and equipment .....	(10,118)	(95,820)
Return of investment in non-marketable security .....	<u>          </u>	<u>75,386</u>
NET CASH USED BY INVESTING ACTIVITIES	<u>(10,118)</u>	<u>(20,434)</u>
NET INCREASE (DECREASE) IN CASH	47,548	(9,717)
CASH AT BEGINNING OF YEAR .....	<u>207,715</u>	<u>217,432</u>
CASH AT END OF YEAR	<u>\$255,263</u>	<u>\$207,715</u>
SUPPLEMENTAL SCHEDULE OF NON-CASH INVESTING ACTIVITIES:		
Purchase of property and equipment.....		\$121,277
Less down payment paid in prior year .....		<u>(25,457)</u>
Cash used to purchase property and equipment		<u>\$ 95,820</u>

COMPASS POINTE  
NOTES TO FINANCIAL STATEMENTS

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Reporting Entity**

Compass Pointe is an Iowa non-profit organization based in Spencer, Iowa, with offices in a ten county area of Northwest Iowa. Its primary activities are the treatment of individuals suffering from drug, alcohol and gambling abuse and providing information and services related to the prevention of drug and alcohol abuse.

**Basis of Accounting**

The accompanying financial statements have been prepared on the accrual basis of accounting in conformity with U.S. generally accepted accounting principles. Revenues are recognized when earned and expenses are recorded when the liability is incurred.

**Basis of Presentation**

Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Compass Pointe is not currently subject to any donor-imposed restrictions. Accordingly, the net assets of Compass Pointe and changes therein are classified and reported as unrestricted net assets.

Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets.

**Cash and Cash Equivalents**

For purposes of the statement of cash flows, cash consists of balances held in checking, money market savings and certificate of deposit accounts.

**Accounts Receivable**

Compass Pointe charges uncollectible receivables against income and maintains an allowance for estimated uncollectibles based on management's estimate of the amount of receivables that will actually be collected. Accounts deemed to be worthless are written off annually. See also Note 2.

**Property and Equipment**

Property and equipment is stated at cost. Maintenance and repair costs are charged to expense as incurred. Depreciation is computed using the straight-line method over the estimated useful lives of three to forty years.

**Accrued Expenses**

Accrued vacation pay is estimated at each year end based on all vacation hours earned less hours used, limited to a maximum of eighty hours, and payable at current pay rates. Accrued unemployment claims are estimated at each year end based on claims which may be filed against Compass Pointe related to wages paid to employees during or prior to the fiscal year end.

COMPASS POINTE  
NOTES TO FINANCIAL STATEMENTS - Continued

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

**Functional Allocation of Expenses**

The costs of providing Compass Pointe's various programs and support services have been summarized on a functional basis. Accordingly, certain costs have been allocated among the programs and support services benefited.

**Income Taxes**

Compass Pointe is a non-profit organization exempt from income tax under Section 501(c)(3) of the Internal Revenue Code and a similar section of the Iowa income tax law which provide tax exemption for corporations organized and operated exclusively for religious, charitable or educational purposes. The organization is not classified as a private foundation by the Internal Revenue Service.

Accounting standards for income taxes, which apply to nonprofit corporations, prescribe a comprehensive model for how an organization measures, recognizes, presents, and discloses in its financial statements uncertain tax positions that the organization has taken or expects to take on its income tax returns. This includes positions that the organization is exempt from income taxes or not subject to income taxes on unrelated business income. The organization's income tax filings are subject to audit by various taxing authorities. The organization's open audit periods are 2007-2010. In evaluating the organization's tax provisions and accruals, future taxable income, the reversal of temporary differences, interpretations, and tax planning strategies are considered. Management believes their estimates are appropriate based on current facts and circumstances.

**Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**Comparative Data**

The financial statements include certain 2010 summarized comparative information. With respect to the Statement of Functional Expenses, 2010 expenses by object are presented in total rather than by functional category and therefore does not include sufficient detail to constitute a presentation in conformity with U.S. generally accepted accounting principles. Accordingly, such information should be read in conjunction with Compass Pointe's financial statements for the year ended June 30, 2010 from which the summarized information was derived.

**Subsequent Events**

Compass Pointe has evaluated subsequent events through the date of the auditor's report, which is the date the financial statements were available to be issued.

COMPASS POINTE  
NOTES TO FINANCIAL STATEMENTS - Continued

**2. ACCOUNTS RECEIVABLE**

Accounts receivable at June 30, 2011 consisted of the following:

	<u>2011</u>
Contracted services .....	\$150,875
Client fees .....	<u>224,856</u>
Total accounts receivable .....	375,731
Less allowance for doubtful accounts .....	<u>(150,000)</u>
Accounts Receivable - Net .....	<u>\$225,731</u>

Client fees balances consist primarily of accounts from the Northwest Iowa geographic area. The organization does not require collateral as a condition of the extension of credit.

**3. OPERATING LEASES**

Compass Pointe leases one office location under a non-cancelable operating lease that will expire in June 2012. The future minimum lease payment is as follows:

<u>Year Ending June 30,</u>	<u>Total</u>
2012 .....	<u>\$18,000</u>
Total .....	<u>\$18,000</u>

Rent expenses under the above lease and monthly leases for eight additional locations totaled \$92,172 for the year ended June 30, 2011.

**4. RETIREMENT PLAN**

Compass Pointe maintains a defined contribution retirement plan for all eligible employees with one year of service. The plan calls for Compass Pointe to contribute 6.25% of each qualified employee's annual salary. Additionally, employees are required to contribute 3% of their salary to the plan in order to receive the matching contribution by Compass Pointe. Contributions under this plan totaled \$60,266 for the year ended June 30, 2011.

**5. RELATED PARTY TRANSACTIONS**

During the year ended June 30, 2011, Compass Pointe entered into business transactions with related parties totaling \$1,153.

COMPASS POINTE  
NOTES TO FINANCIAL STATEMENTS - Continued

**6. CONCENTRATIONS OF CREDIT RISK**

Compass Pointe maintains its cash balances in financial institutions located in Spencer, Iowa. The balances are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. Deposits in excess of \$250,000 at one institution are covered by a bank deposit guarantee bond.

**7. ECONOMIC DEPENDENCY**

Compass Pointe generates approximately 56% of its revenue from contracts to provide services for the Iowa Department of Public Health (IDPH) and the Iowa Plan for Behavioral Health (Iowa Plan). Under the terms of the IDPH contracts, Compass Pointe submits reports of its expenditures and/or activities to the IDPH on a monthly basis and is subsequently reimbursed as provided for in the contract. Compass Pointe has been awarded contracts from IDPH to provide prevention and gambling treatment services for the fiscal year ending June 30, 2012 totaling \$536,687.

The Iowa Plan contracts provide for equal monthly payments to Compass Pointe, dependent upon its meeting specified unduplicated client levels and providing specified services. Compass Pointe has been awarded contracts from the Iowa Plan to provide treatment services for the year ending June 30, 2012 totaling \$712,548..

The IDPH and Iowa Plan contracts are comprised of both federal and state funds. The federal portion of the contract amounts for the fiscal year ending June 30, 2012 is approximately equal to amounts received for the fiscal year ended June 30, 2011. However, the availability of the federal funds is contingent upon federal block grant appropriations to the respective states.

**8. RISK MANAGEMENT**

Compass Pointe is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. Compass Pointe assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage for the past three years.

**9. DONATED SERVICES**

The Organization receives donated services from a variety of unpaid volunteers who make significant contributions of their time in conjunction with programs and services. No amounts have been recognized for these services in the accompanying statement of activities because the criteria for recognition of such volunteer effort as contributed services has not been satisfied. However, the Organization did utilize donated services valued at \$25,610 to satisfy a portion of the Organization's match requirement stipulated in two grants.

## SUPPLEMENTARY INFORMATION

COMPASS POINTE  
SCHEDULE OF REVENUE AND EXPENSES BY CONTRACT  
IOWA DEPARTMENT OF PUBLIC HEALTH CONTRACTS  
YEAR ENDED JUNE 30, 2011

	Comprehensive Prevention 5881CP23	Youth Mentoring 5881YM09	Prevention Through Mentoring 5881YM79	Tobacco Use 5881TS13	Gambling 5881GP01	Capacity Coach 5881IP04	SPF SIG Funding 5881CP23	Total
REVENUE:								
Iowa Department of Public Health .....	\$153,969	\$40,665	\$47,210	\$29,622	\$64,203	\$4,815	\$34,272	\$374,756
EXPENSES:								
Salaries & benefits .....	97,594	28,459	31,955	20,693		1,644	3,514	183,859
Contracted services .....							1,050	1,050
Other operating expense .....	36,874	6,106	8,174	4,486		2,449	24,567	82,656
Indirect expense .....	19,501	6,100	7,081	4,443		722	5,141	42,988
Services:								
Intake .....					1,680			1,680
Individual counseling .....					6,825			6,825
Crisis .....					760			760
Family counseling .....					100			100
Group counseling .....					5,232			5,232
Education .....					36,275			36,275
Information .....					9,194			9,194
Counselor training .....					1,400			1,400
Mileage .....					2,737			2,737
Total Expenses	153,969	40,665	47,210	29,622	64,203	4,815	34,272	374,756
REVENUE OVER EXPENSES								

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INDEPENDENT AUDITORS' REPORT ON  
INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board of Directors of  
Compass Pointe

We have audited the financial statements of Compass Pointe, Spencer, Iowa, as of and for the year ended June 30, 2011 and have issued our report thereon dated October 27, 2011. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financing Reporting

In planning and performing our audit, we considered Compass Pointe's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Compass Pointe's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Compass Pointe's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of Compass Pointe's financial statements will not be prevented or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control that we consider to be a material weakness, as defined above.



### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Compass Pointe's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report, a public record by law, is intended solely for the information and use of the officials, employees, and constituents of Compass Pointe and other parties to whom Compass Pointe may report including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Compass Pointe during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

*Winthe, Starn & Co, LLP*

October 27, 2011